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SUBJECT: Wisconsin Rural Development Guaranteed Rural Housing (GRH) Update

TO: Approved GRH Lenders and Originators

Following is important information regarding the funding status and program delivery of Wisconsin's GRH loan program. Please distribute this information to all of your branch offices, correspondent banks, or mortgage originators that originate GRH loans in Wisconsin.

FUNDING

The Fiscal Year 2002 Agricultural Appropriations Bill has not yet been approved, but it is expected to be signed into law in the near future. Preliminary information indicates that the nationwide allocation of funds for the GRH loan program will be approximately \$3.144 billion this fiscal year. Lenders are encouraged to continue accepting and processing applications for the GRH program. We are temporarily unable to issue a Confirmation of Funds when you submit a Reservation of Funds due to the current funding situation. Rural Development will underwrite complete files and communicate any loan approval conditions to lenders so that conditions can be cleared prior to closing (if needed). The Conditional Commitments will be issued to lenders as soon as our funding is received. Lenders must not close GRH loans without a signed Conditional Commitment from Rural Development.

Since October 1st we have received access to a minimal amount of GRH funding for complete applications through a Continuing Resolution and supplemental appropriation of funds. It is anticipated that Rural Development will receive further supplemental appropriations in the event that Fiscal Year 2002 Agricultural Appropriations Bill is not signed in the near future. Our agency's goal is to keep the GRH program running as smooth as possible during this time of interim funding. Lenders are encouraged to submit requests for pre-approvals for their applicants who have not yet entered into a purchase contract. We really appreciate your patience and understanding during this time of year with our funding situation.

NEW STATE DIRECTOR

The U.S. Department of Agriculture today appointed Frank J. Frassetto as the Wisconsin State Director for USDA Rural Development.

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Frassetto, from Black Wolf, Wis., is the Town Chairman of Black Wolf and has served for 14 years as U.S. Congressman Thomas Petri's field representative. Frassetto's duties for Petri include managing the Congressman's district office in Oshkosh. He also is responsible for the development and implementation of budgets on the local level to ensure growth and welfare of Black Wolf.

Frassetto is active in local and state community organizations. He is a volunteer for the Boy Scouts of America and is a past Board Member and Vice President of Junior Achievement of Oshkosh. He also serves as basketball and soccer coach for his local youth sports teams.

Frassetto received a Bachelor of Science Degree in communications from the University of Wisconsin-Oshkosh in 1984. He is a licensed real estate agent.

USDA Rural Development serves as the lead federal entity for rural development needs, and administers program assistance through three agencies: Rural Housing Service, Rural Business - Cooperative Service, and Rural Utilities Service. Further information on USDA Rural Development programs can be obtained by visiting USDA's web site at: www.rurdev.usda.gov

New!

ALLOWABLE CASH RESERVES

New!

RD Instruction 1980.346 (b) references the eligibility criteria for an applicant with regard to their ability to qualify for conventional credit. In the past, Wisconsin Rural Development has interpreted this as a limit on cash reserves (or other liquid assets that are not in a retirement account) of up to 10% of the purchase price of the home being financed. Based on consultation with other states and national lenders, it was determined that the threshold commonly used was whether or not the applicant had the cash resources to obtain a conventional loan without private mortgage insurance. This would allow applicants with less than 20% cash reserves to qualify for GRH assistance. Effective immediately, Wisconsin Rural Development will accept eligible GRH applicants with liquid assets up to 20% of the purchase price of the home being financed. Lenders are reminded to consider the interest earnings from any non-retirement cash reserves when calculating an applicant's adjusted annual household income for compliance purposes.

FISCAL YEAR 2001 SUMMARY

Thanks to your tremendous support during this past fiscal year, Wisconsin Rural Development utilized approximately \$55.6 million in GRH funding. 670 Wisconsin families have become home owners without incurring the typical costs of down payment and private mortgage insurance that keep many from realizing the dream of home ownership. Your dedication and commitment to the GRH program is greatly appreciated by Rural Development and the customers you have served.

Enclosed is a GRH loan activity map that summarizes our program's activity in Fiscal Year 2001. Wisconsin's utilization of \$55.6 million of GRH funds during Fiscal Year 2001 represents a 9.4% increase in usage compared to the previous fiscal year. Despite the increase in our guarantee fee from 1% to 2% last October, lenders were able to increase the usage of the GRH program based on the attractive interest rates that prevailed during most of the year and by promoting the affordability aspect of the GRH program when compared to competing mortgage

products. Wisconsin's average GRH loan amount was \$82,970, which is a 4.5% increase over the previous fiscal year's average loan amount. Hopefully, this information will assist you in your marketing efforts this year.

Lenders are encouraged to utilize Rural Development staff when conducting their promotional efforts for the GRH loan program. Training from Rural Development is available for new loan originators and underwriters who want to learn more about this affordable mortgage financing option for their low and moderate-income applicants. Contact your local Community Development Manager or our State Office if you need assistance with GRH training or outreach activities.

WISCONSIN'S TOP TEN LIST

During this past fiscal year, 78 lenders originated GRH loans in Wisconsin. The top ten lenders indicated below, originated 61.6% of all GRH loans in Wisconsin during Fiscal Year 2001.

Chase Manhattan Mortgage Corp
Associated Banks (incl. AMI)
North American Mortgage Co.
First Federal Savings Bank, La Crosse and Madison
First Bank
Assured Mortgage, Inc.
Amcore Mortgage, Inc.
Wells Fargo Home Mortgage, Inc.
Central City Credit Union
Acuity Bank

MANUFACTURED HOME DEALER / CONTRACTORS

Enclosed is an updated list of Rural Development approved Dealer / Contractors for manufactured housing. This list was updated to add several new Dealer / Contractors. If you have any questions as to the process or the GRH documentation needed to finance a new manufactured home that will be purchased directly from an approved Dealer / Contractor, please contact our office.

If you have any questions regarding this memo, call (715) 345-7620 for Paul Bartlett at Ext. 114 or Sue Kohnen at Ext. 115.

/s/

PETER G. KOHNEN
Rural Housing Program Director

PGK: pjb

Enclosures